



Caterpillar Inc.

100 NE Adams Street
Peoria, Illinois 61629

May 12, 2005

The Honorable J. Dennis Hastert
Speaker of the House
235 Cannon House Office Building
Washington, DC 20510

Dear Speaker Hastert:

As both a global company and one of America's largest exporters, Caterpillar believes it is time for Congress to act with a new sense of urgency to open foreign markets. As a first step, we urge you to strongly support the Dominican Republic-Central American Free Trade Agreement (DR-CAFTA).

As you may know, about 80 percent of the goods made in the Dominican Republic, Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua already enter the U.S. duty free. We believe the preference programs that have nearly eliminated U.S. tariffs on imports from these countries have been good for American consumers and good for the fragile democracies of Central America.

But we also believe it is time to fully open the DR-CAFTA markets to U.S. exports. Today the tariff on a U.S.-produced Caterpillar off-highway truck entering Guatemala is 5 percent. If it enters the Dominican Republic, the duty is 8 percent... and if it enters Costa Rica, the tax is a whopping 14 percent. All that will change when Congress passes DR-CAFTA. The first day the agreement goes into effect most tariffs on U.S. manufactured goods - including off-highway trucks - will be completely eliminated.

For Caterpillar, the benefits of free trade agreements are very real. Last year the U.S.-Chile Free Trade Agreement went into effect. Like DR-CAFTA, the Chile FTA immediately eliminated all Chilean tariffs on Cat's U.S.-made products. With Chile's market completely open, Caterpillar was well positioned to fully benefit from increased demand resulting from the current mining boom. As a result, Caterpillar's U.S. exports to Chile nearly doubled... making Chile the company's fifth largest U.S. export market.

American manufacturers will benefit from DR-CAFTA in other important ways. We expect more direct foreign investment to flow into Central America as investors gain confidence that the trade disciplines incorporated in DR-CAFTA will prevent these countries from embracing quick-fix, protectionist solutions as a way to weather economic uncertainties. More foreign investment will jump-start many long delayed infrastructure projects in the region. In fact, there are already \$10 billion worth of new highways, hydroelectric dams, port improvements and energy grid upgrades being planned.

Congressman, in many ways the DR-CAFTA vote will be the "acid test" that determines whether the United States is serious about opening foreign markets. Congressional passage of DR-CAFTA means that American exporters, like Caterpillar, can look forward to other free trade agreements that will eliminate duties on American products in the Andean Countries, Southern Africa, Thailand, Panama and many parts of the Mideast. We are also hopeful that the U.S. will soon begin FTA negotiations with Egypt and New Zealand.

And most importantly, we all need to renew our commitment to complete the WTO Doha Development Agenda during the next 18 months. By significantly reducing trade and investment barriers in all countries, the Doha agenda offers a once-in-a-generation chance to promote global economy around the world.

But before any of that can happen, Congress must first pass DR-CAFTA. We trust we can count on your support.

Sincerely,

A handwritten signature in black ink that reads "Jim Owens". The signature is written in a cursive, flowing style.

James W. Owens
Chairman and Chief Executive Officer
Caterpillar Inc.